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State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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June 22, 1992

DOGMA
MINERALS PROGRAM
FILE COPY

CERTIFIED RETURN RECEIPT
P 074 978 843

Mr. Norman Haslem
Mining Superintendent
Ziegler Chemical & Mineral Corporation
Star Route
Vernal, Utah 84078

Dear Mr. Haslem:

Re: Notice of Non-Compliance, Ziegler Chemical and Mineral Corporation, Ziegler
Gilsonite Mines, M/047/013, Uintah County, Utah

This letter is sent to notify you, that your mining operation, or portions thereof, is not in compliance with certain sections of the Utah Mined Land Reclamation Act 40-8-1 et seq and the Minerals Reclamation Program Rules R647-1 through R647-5.

Finding of Non-Compliance

Specifically, you have failed to provide surety for your mining operations, as required by the Utah Mined Land Reclamation Act, Title 40-8-14(1),(5), and Sections R647-4-113.1, -113.5, of the Minerals Rules.

You may also be in violation of section 40-8-9 of the Mined Land Reclamation Act, which addresses willful and knowing violation of the Act.

Background Information

The reclamation surety for the Ziegler Gilsonite Mines held by National Westminster Bank, USA, in the form of an Irrevocable Letter of Credit (ILOC) for the sum of \$69,100 expired on May 20, 1992. Ziegler was contacted by phone on June 4, 1992, by Tony Gallegos, of the Division staff, regarding the expiration of this surety. At that time, Ziegler indicated that a replacement surety would be provided

Page 2
Mr. Norman Haslem
M/047/013
June 22, 1992

within the next ten days or by June 15, 1992. On June 19, 1992, Mr. Gallegos phoned Ziegler again, regarding the reclamation surety. Shortly after that telephone conversation, a facsimile transmission was received by the Division from the National Westminster Bank. This facsimile stated the surety would be reissued on June 30, 1992. As of the date of this letter, Ziegler's Gilsonite Mines have been operating for over 31 days without a reclamation surety in place.

A similar course of events took place in May 1991, when the Division discovered that Ziegler's surety had expired on May 20, 1990, and had not yet been renewed. At that time, Ziegler's Gilsonite Mines had been operating for nearly a year before the reclamation surety was replaced.

Location of Non-Compliance

The specific location of the non-compliance is in portions of sections 15, 16, 21, 22, 30, T9S, R24E, and portions of section 29, T10S, R21E, SLBM, Uintah County, Utah.

Mitigation Requirements

Ziegler is directed to immediately cease mining operations on the properties approved under this permit, until an adequate form of reclamation surety is provided to and accepted by this Division. Ziegler must contact the Division concerning this violation and provide us with evidence of surety within three (3) calendar days of your receipt of this letter. Ziegler cannot resume mining operations until the Division determines the surety to be complete and adequate. Should Ziegler choose to replace the expired ILOC with the same form of surety, then the Division's revised ILOC surety form must be utilized. If another form of surety is chosen, then the Division will need to be contacted for a copy of the appropriate surety form(s).

Please be advised, that the original \$69,100 reclamation surety amount is calculated in 1992 dollars. This surety amount will only be acceptable through 1992. A new, updated surety must be calculated and filed with this Division by January 1, 1993. The Division will need to perform a mine site inspection of the properties before the end of 1992, to evaluate the existing mining-related disturbances and recalculate the reclamation surety estimate accordingly. Board/Division bonding policy requires that all reclamation sureties be escalated 5-years forward from the date of original calculation or subsequent revision.

Page 3
Mr. Norman Haslem
M/047/013
June 22, 1992

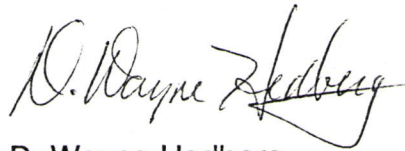
Consequences of Continued Non-Compliance

Failure to comply with these requirements within the time frame as set forth in this Notice, will result in the scheduling of a formal hearing before the Board of Oil, Gas and Mining. The Board, after notice and hearing, may enter an Order requiring abatement, revocation of permit approval, reclamation of the mine site(s), and the assessment of civil penalties not to exceed \$10,000 dollars a day for each violation.

The Division is in receipt of a Notice of Intent to Commence Small Mining Operations and a Notice of Intent to Conduct Exploration submitted by Ziegler and received on June 11, 1992. Processing of these Notices will be suspended until this non-compliance issue is resolved to the satisfaction of the Division.

Please contact me or Tony Gallegos immediately, if we can assist you in resolving this non-compliance problem.

Sincerely,

A handwritten signature in cursive script, reading "D. Wayne Hedberg".

D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb
cc: Bill Hyland, Ziegler Chemical
John Blake, State Lands
Dianne Nielson, DOGM
Lowell Braxton, DOGM
Tom Mitchell, Assistant Attorney General
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